

Senate Study Bill 1344

SENATE FILE _____
BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL BY
CHAIRPERSON BOLKCOM)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to the providing of income tax, premium tax, and
2 moneys and credits tax credits for employers paying part of
3 their employees' student loans and including a retroactive
4 applicability date provision.
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
6 TLSB 1766SC 82
7 mg/es/88

PAG LIN

1 1 Section 1. NEW SECTION. 261.130 DEFINITIONS.
1 2 As used in this division, unless the context otherwise
1 3 requires:
1 4 1. "Accredited higher education institution" means an
1 5 institution of higher education as defined in section 261.92.
1 6 2. "Commission" means the college student aid commission
1 7 created in section 261.1.
1 8 3. "Qualified undergraduate loan" means a federally
1 9 guaranteed student loan authorized under the federal Higher
1 10 Education Act of 1965, 20 U.S.C. } 1071 et seq., or a loan
1 11 originated by banks, savings and loans, or credit unions
1 12 located in Iowa for purposes of attending an accredited higher
1 13 education institution.
1 14 Sec. 2. NEW SECTION. 261.131 STUDENT LOAN REPAYMENT TAX
1 15 CREDIT PROGRAM.
1 16 1. The commission shall establish a student loan repayment
1 17 tax credit program for employers who repay qualified
1 18 undergraduate loans of students employed in this state by the
1 19 employer. Under the program eligible employers shall be
1 20 entitled to a tax credit to be allowed against the taxes
1 21 imposed under chapter 422, division II, III, or V, or chapter
1 22 432, or against the moneys and credits tax imposed in section
1 23 533.24.
1 24 2. An eligible employer shall receive a credit equal to
1 25 thirty percent of the amount of the qualified undergraduate
1 26 loan repaid by the employer for an employee in the tax year.
1 27 However, in computing the amount of the tax credit only the
1 28 following repayment amount shall be used in the computation:
1 29 a. For the first tax year, not more than twenty percent of
1 30 the maximum qualified undergraduate loan.
1 31 b. For the second tax year, not more than thirty percent
1 32 of the maximum qualified undergraduate loan.
1 33 c. For the third tax year, not more than fifty percent of
1 34 the maximum qualified undergraduate loan.
1 35 For purposes of the computation of the tax credit pursuant
2 1 to this subsection, "maximum qualified undergraduate loan"
2 2 equals twenty-five thousand dollars.
2 3 3. To qualify as an eligible employer for purposes of the
2 4 tax credit under subsection 2, an employer shall meet all of
2 5 the following:
2 6 a. Pay the employee for whom the loan repayment is to be
2 7 made an annualized salary or wage of at least twenty-five
2 8 thousand dollars.
2 9 b. Employ the individual primarily in this state.
2 10 c. Begin repayment of the qualified undergraduate loan
2 11 within six months of the initial hiring date of the employee.
2 12 For purposes of this paragraph, an employee who is already
2 13 employed by the employer as of July 1, 2007, shall be
2 14 considered to be initially hired as of that date.
2 15 4. If the employer is a partnership, S corporation,
2 16 limited liability company, estate, or trust electing to have

the income taxed directly to the individual, an individual may claim the tax credit allowed. The amount claimed by the individual shall be based upon the pro rata share of the individual's earnings of the partnership, S corporation, limited liability company, estate, or trust.

5. Any credit in excess of the tax liability for the tax year shall be refunded with interest computed under section 422.25. In lieu of claiming a refund, a taxpayer may elect to have the overpayment shown on its final, completed return credited to the tax liability for the following tax year.

Sec. 3. NEW SECTION. 261.132 TAX CREDIT CERTIFICATE PROCEDURE.

1. An employer seeking the student loan repayment tax credit under this division shall apply to the commission on the form prescribed by the commission, provide verification that the employer is eligible as required under section 261.131, subsection 3, and any other information required by the commission or the department of revenue.

2. After verifying the eligibility for the tax credit, the commission, in consultation with the department of revenue, shall issue a student loan repayment tax credit certificate to be attached to the person's tax return. The tax credit certificate shall contain the taxpayer's name, address, tax identification number, the dates of loan repayment, the amount of credit, and other information required by the department of revenue.

Sec. 4. NEW SECTION. 422.11T STUDENT LOAN REPAYMENT TAX CREDIT.

The taxes imposed under this division, less the credits allowed under sections 422.12 and 422.12B, shall be reduced by a student loan repayment tax credit authorized pursuant to sections 261.130 through 261.132.

Sec. 5. Section 422.33, Code 2007, is amended by adding the following new subsection:

NEW SUBSECTION. 24. The taxes imposed under this division shall be reduced by a student loan repayment tax credit authorized pursuant to sections 261.130 through 261.132.

Sec. 6. Section 422.60, Code 2007, is amended by adding the following new subsection:

NEW SUBSECTION. 13. The taxes imposed under this division shall be reduced by a student loan repayment tax credit authorized pursuant to sections 261.130 through 261.132.

Sec. 7. NEW SECTION. 432.12J STUDENT LOAN REPAYMENT TAX CREDIT.

The taxes imposed under this chapter shall be reduced by a student loan repayment tax credit authorized pursuant to sections 261.130 through 261.132.

Sec. 8. Section 533.24, Code 2007, is amended by adding the following new subsection:

NEW SUBSECTION. 11. The moneys and credits tax imposed under this section shall be reduced by a student loan repayment tax credit authorized pursuant to sections 261.130 through 261.132.

Sec. 9. RETROACTIVE APPLICABILITY DATE. This Act applies retroactively to January 1, 2007, for tax years beginning on or after that date.

EXPLANATION

This bill provides a tax credit for an employer who repays any portion of an employee's undergraduate student loan. The tax credits are allowable under the individual and corporate income taxes, franchise tax, insurance premiums tax, and moneys and credits tax of credit unions.

To be eligible for the tax credit the employer must pay an annualized salary or wage of at least \$25,000, employ the person in this state, and begin repayment of the student loan within six months of the hiring date. However, the bill provides that the hiring date for an employee already employed as of July 1, 2007, shall be considered July 1, 2007.

The amount of the tax credit equals 30 percent of the amount of the loan repaid not to exceed a certain percentage of the first \$25,000 of the student loan. This percentage equals 20 percent for the first tax year, 30 percent for the second tax year, and 50 percent for the third tax year.

The bill applies retroactively to January 1, 2007, for tax years beginning on or after that date.